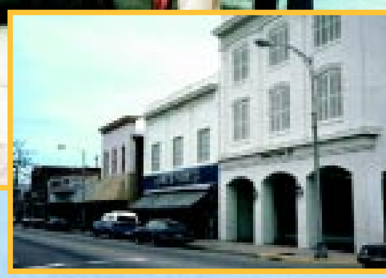
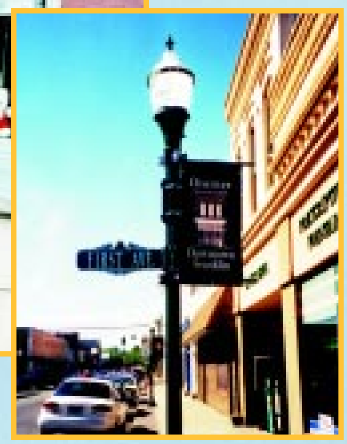
Section 3

City of Franklin, Downtown Development



Kathy Frazier, Frazier Associates



City of Franklin, Downtown Development

3.1 Commonwealth of Virginia

The economy of the Commonwealth of Virginia has experienced steady growth over the last decade in excess of national averages. In particular, strong gains in the services sector have been driven by growth in the urban and suburban areas associated with the Washington, D.C. metropolitan area to the north, Richmond in the central portion of the Commonwealth, and the Hampton Roads area in the southeastern corner.

The service sector now leads in terms of employment, wages, and gross industry earnings at the State level. In selected areas away from these metropolitan centers, including the City of Franklin, and the Southampton and Isle of Wight Counties region used as the detailed Study Area for this report, manufacturing provides the foundation for local economic activity.

At the State level, unemployment rates have been steadily declining over the same period faster than or at a faster rate than national trends over the last 24 months.

Following is a brief overview of the primary components of the statewide economy.

The following should be noted regarding all of the figures included in this report:

Tabulations for all Figures are included in Appendix G.

Projections for 1999 values were used in Figures 3.1, 3.2, 3.3, 3.5, 3.7, 3.8, 3.9, and 3.11.

As noted, in some figures, dollar amounts have been adjusted to correspond to 1999 values. However, in Appendix G, the nominal values are also included where appropriate.

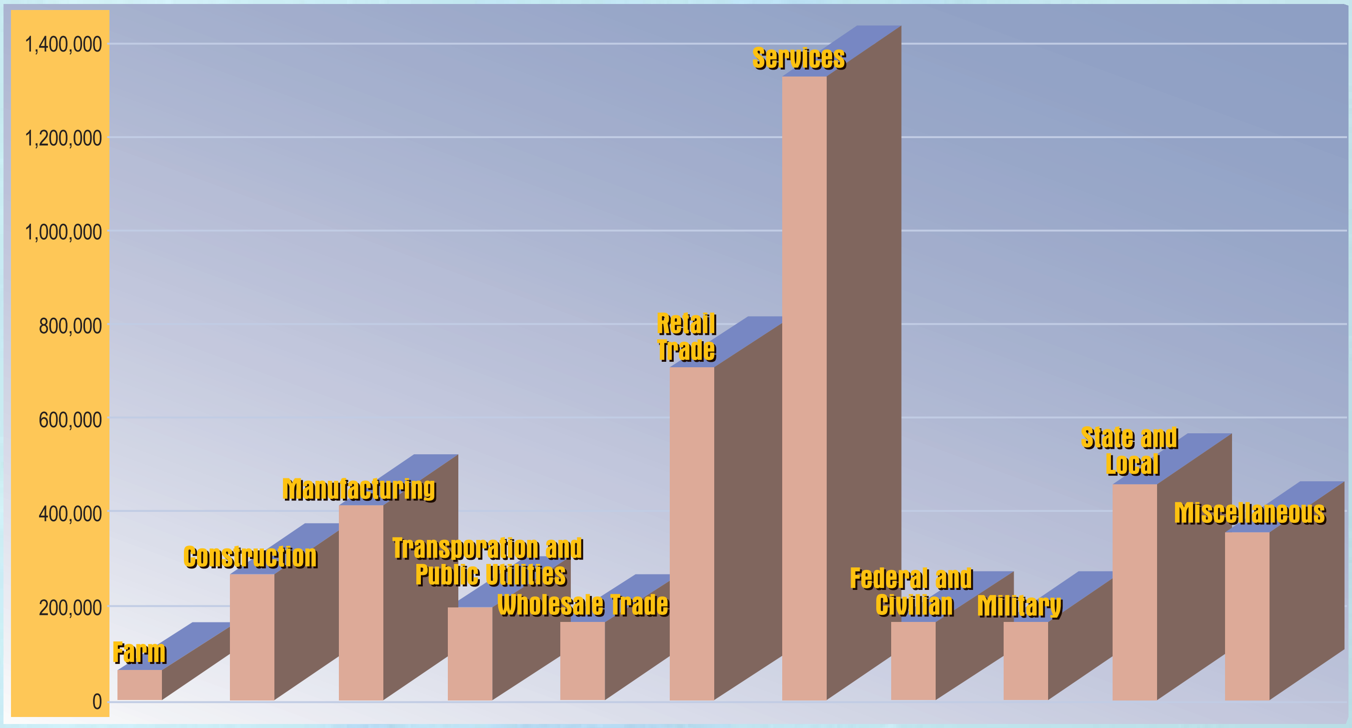
The “Miscellaneous” category used in certain figures (for example, Figure 3.1) includes Agricultural Service, Forestry, Fishing, and Other; Mining; and Finance, Insurance, and Real Estate sectors. These were aggregated due to the fact that detailed information was not available in all cases for these categories (to avoid disclosure of confidential information).

3.1.1 Primary Industries and Employment – Commonwealth of Virginia

Figures 3.1, 3.2 and 3.3 illustrate the current situation in the Commonwealth of Virginia in terms of the distribution of economic activity across the primary business sectors. These charts indicate projected 1999 levels for employment, wages, and gross business earnings within the Commonwealth of Virginia, respectively.

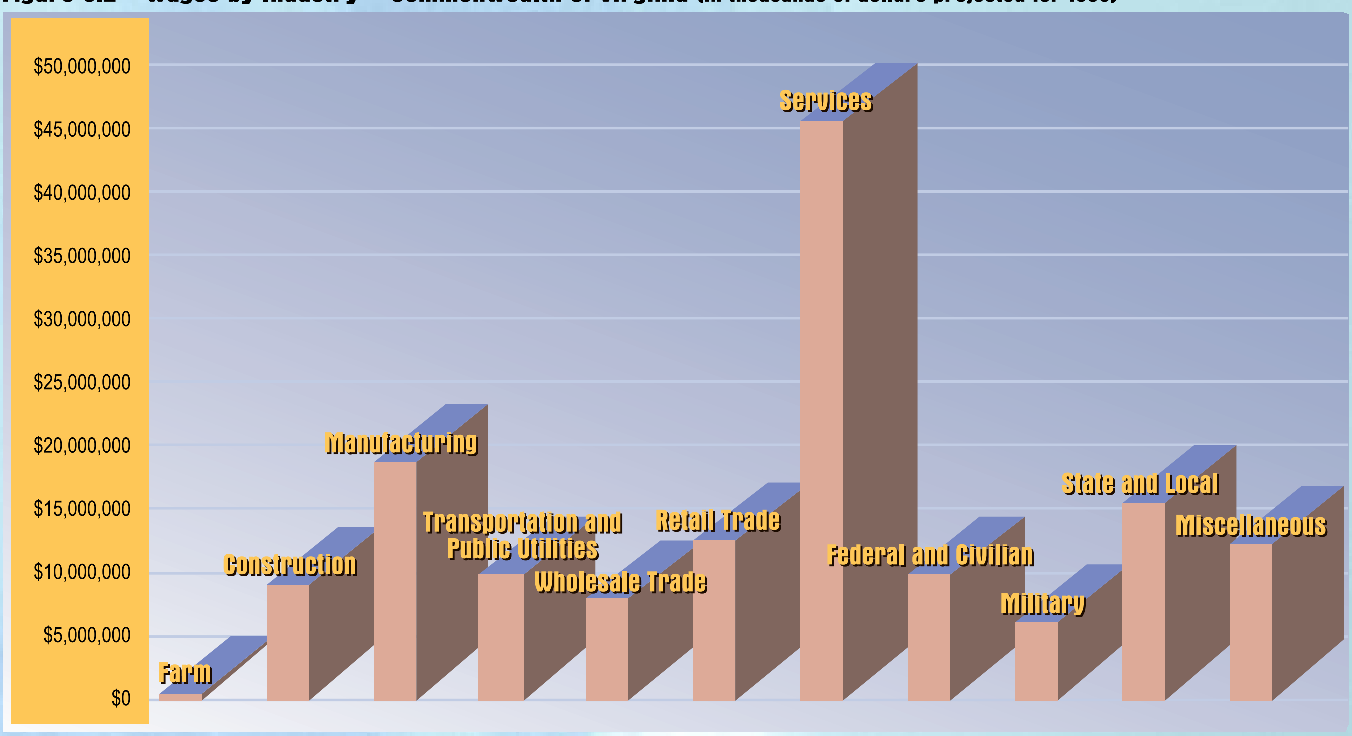
As identified in Section 3.1, these figures illustrate the relative dominance of the services sector as well as the importance of retail trade, manufacturing, and government services as sources of income and earnings for the residents and businesses of the Commonwealth. These figures only indicate the current structural conditions. The following provides historical perspective on the general growth characteristics of the Commonwealth.

Figure 3.1 Full-Time and Part-Time Employment – Commonwealth of Virginia (projected for 1999)



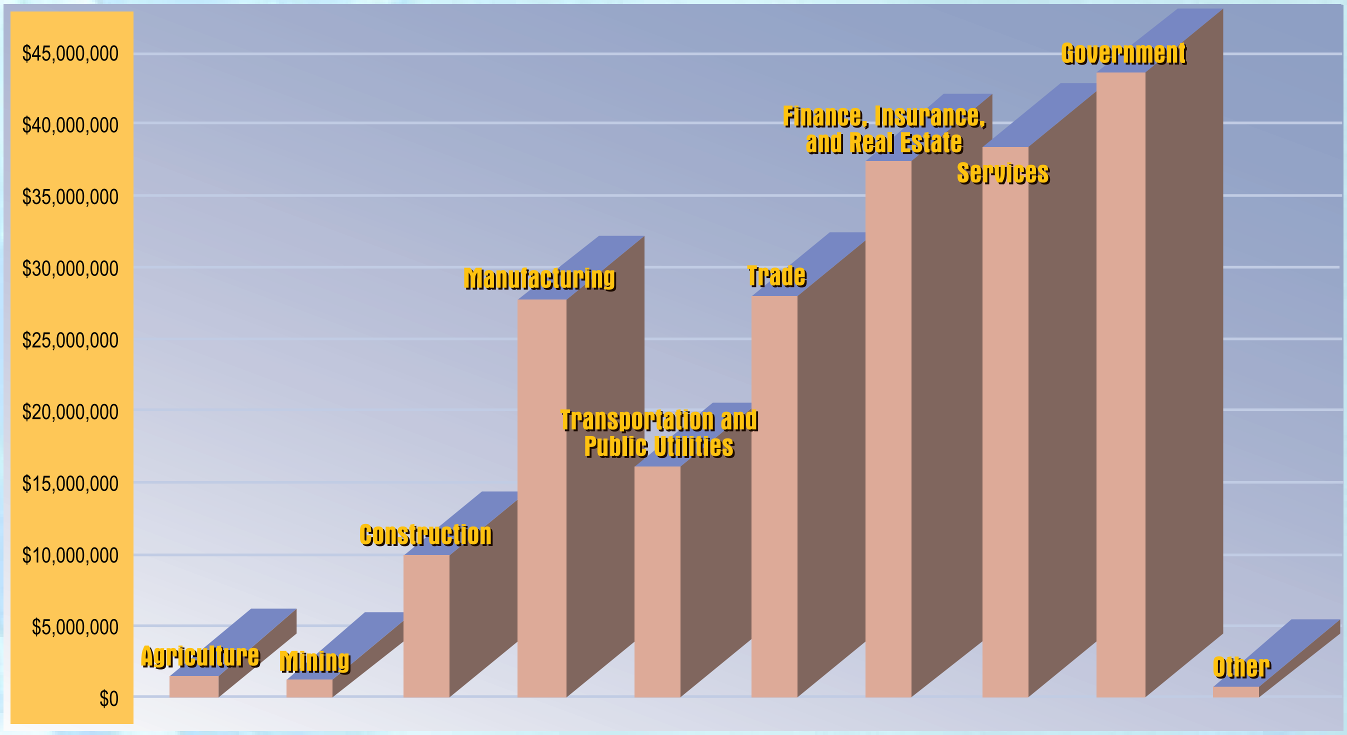
Source: Bureau of Economic Analysis and Hampton Roads Planning District Commission

Figure 3.2 Wages by Industry – Commonwealth of Virginia (in thousands of dollars projected for 1999)



Source: Bureau of Economic Analysis and Hampton Roads Planning District Commission

Figure 3.3 Gross Earnings by Industry – Commonwealth of Virginia (in thousands of dollars as of 1996)



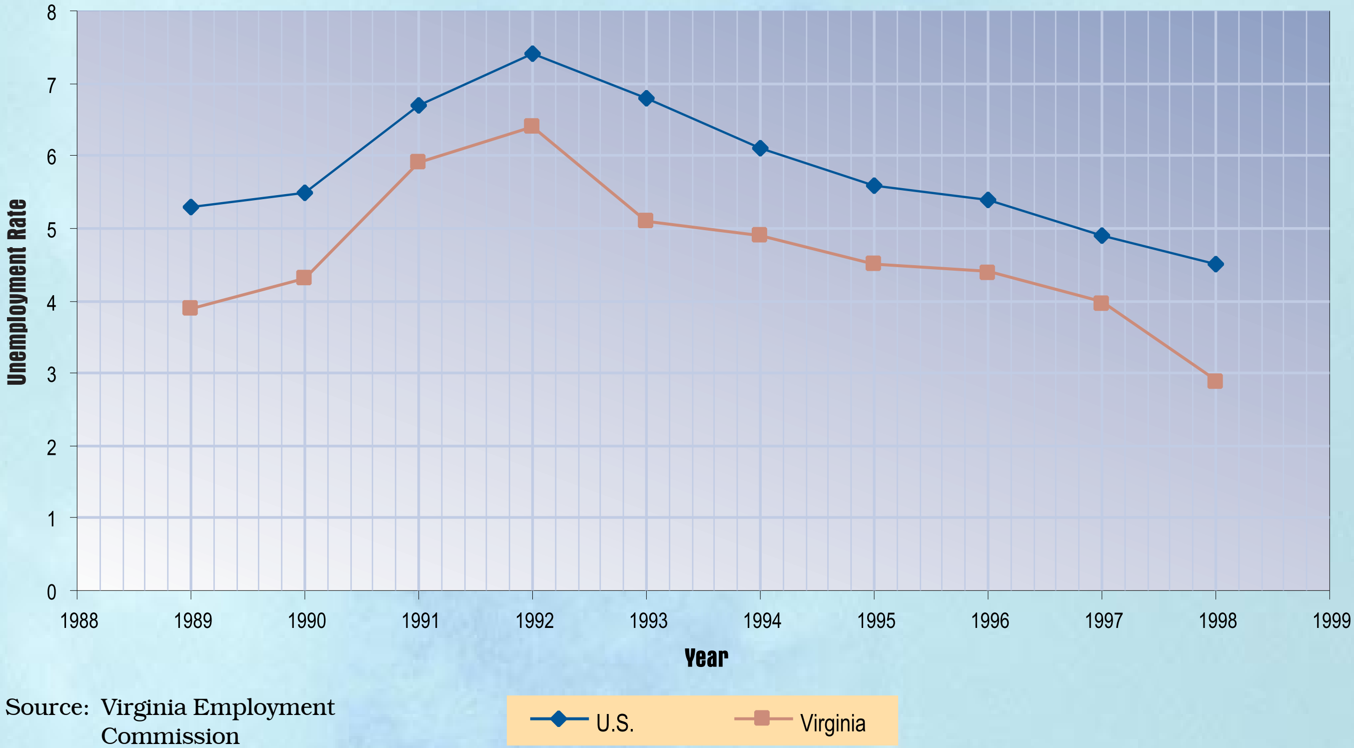
Source: Implan Data-MIG, Inc.

3.1.2 Pre-Disaster Trends and Economic Outlook – Commonwealth of Virginia

Figures 3.4 and 3.5 illustrate trends for unemployment and wages in the Commonwealth over the last decade. Figure 3.4 reflects one measure of the relative strength of the Commonwealth of Virginia economic growth. Compared to the rest of the country, the Commonwealth has exhibited generally lower unemployment levels. In addition, since 1997, unemployment figures in the Commonwealth have been declining at a higher rate than for the United States.

Figure 3.5 shows the growth in individual wage earnings for the Commonwealth over the last decade. Corrected for inflation, this figure indicates the extent of real growth in the economy of the Commonwealth. While the 10-year period between 1987 and 1996 averaged slightly less than 2 percent real growth on an annual basis, since 1996, growth has been occurring at a rate in excess of 7 percent.

Figure 3.4 Comparison of Annual Average Unemployment Rates – Commonwealth of Virginia and United States



Source: Virginia Employment Commission

Figure 3.5 Total Wages – Commonwealth of Virginia (in thousands of 1999 dollars projected through 1999)

Source: Bureau of Economic Analysis and HRPCD

3.2 City of Franklin, and Southampton and Isle of Wight Counties

For the purposes of this report, the analysis of the pre-disaster economy was undertaken for an aggregated Study Area in the southeast portion of the Commonwealth composed of the City of Franklin and the Counties of Southampton and Isle of Wight. The reasons for this were threefold:

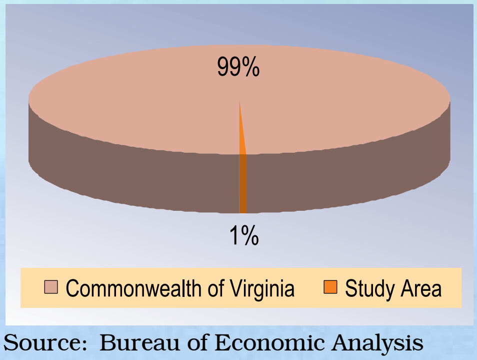
1. Preliminary damage estimates of the destructive effects of flooding associated with Hurricane Floyd were higher in the City of Franklin and these two adjacent counties than other local communities in the Commonwealth of Virginia.
2. The Study Area functions as an economic unit as many of the major employers are located outside of the corporate limits of the City of Franklin but the employees live, recreate, and transact business with enterprises throughout the area.
3. Certain relevant data were already aggregated for the City of Franklin and Southampton County and could not be segregated within the time frame available for this rapid reconnaissance study.

The population of the Study Area (as of 1997) is 55,023 with total full- and part-time employment at 25,965. The per capita income is $21,330.

The economy of this Study Area has experienced steady and strong growth over the last few years, mirroring the performance of the Commonwealth. However, there are significant differences that distinguish the Study Area from the characteristics of the Commonwealth.

- Although retail trade and services are important components of the economy, the manufacturing sector is dominant within the Study Area in terms of sheer numbers of jobs, wages, and gross earnings by industry.
- The total economic activity of the Study Area is relatively small as compared with the Commonwealth. Figure 3.6 illustrates the relative role of the local economy in the overall

Figure 3.6
Study Area Contribution to Commonwealth of Virginia Economy
(Full-time and part-time employment)



Source: Bureau of Economic Analysis and HRPDC economic activity of the Commonwealth. As shown in the chart, the Study Area accounts for only approximately 1 percent of the total employment in the Commonwealth.

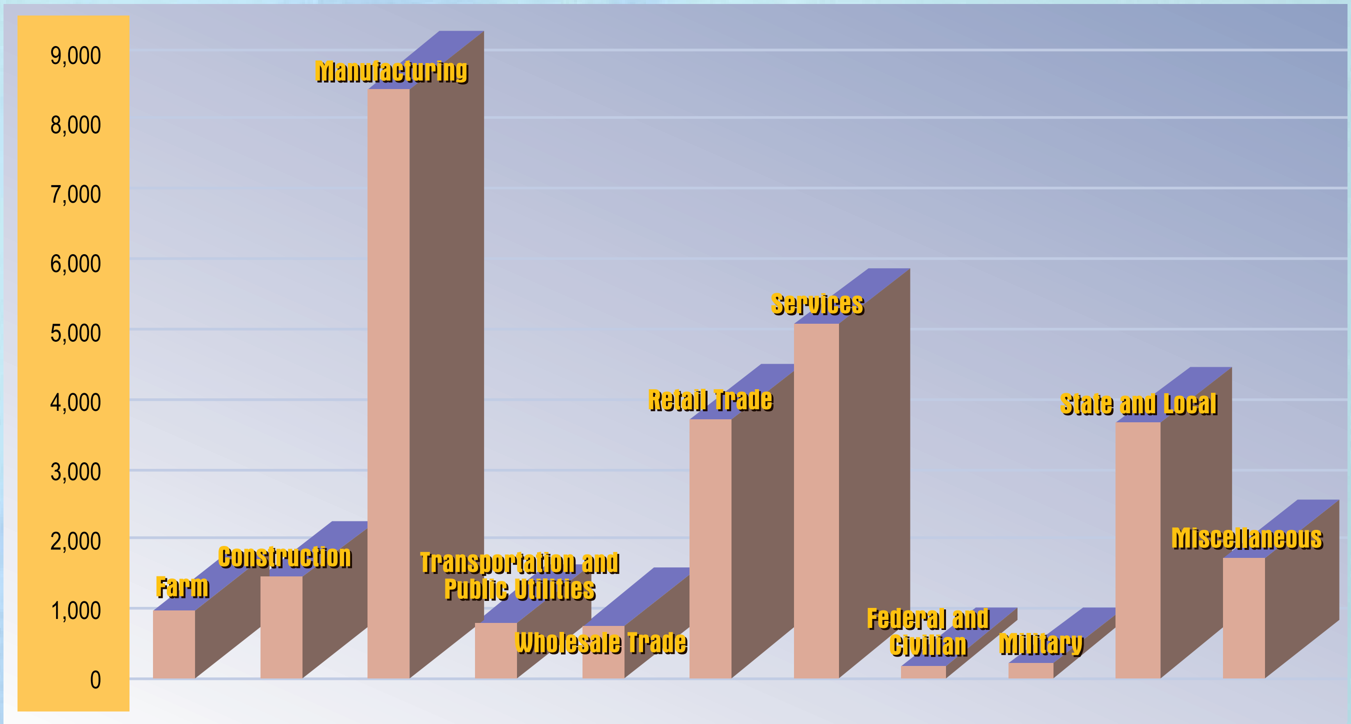
3.2.1 Primary Industries and Employment – Study Area

The following three charts support the previous discussion of the current situation in the Study Area by illustrating the distribution of economic activity across the primary business sectors. Figures 3.7 and 3.8 indicate projected 1999 levels for employment and wages, while Figure 3.9 shows 1996 earnings per industry sector within the Study Area.

The following is apparent from these exhibits:

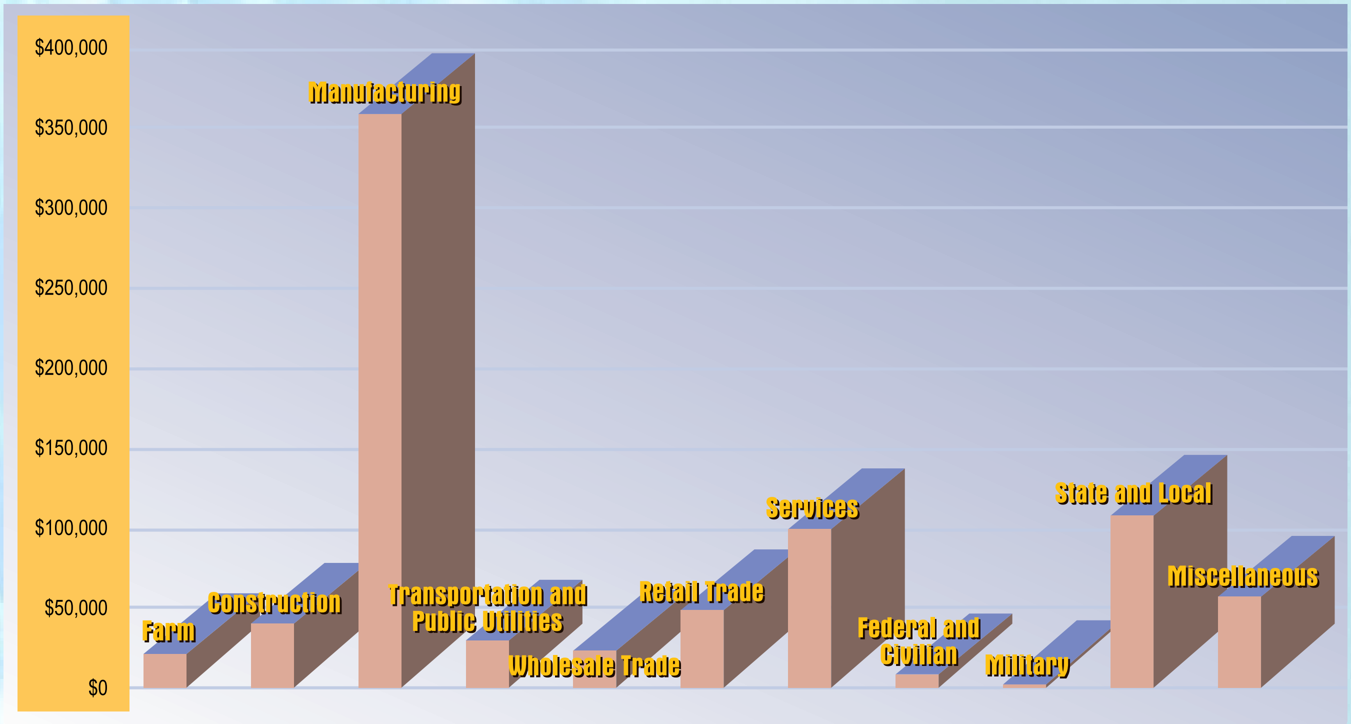
- The manufacturing sector dominates employment (31.3 percent of a total of 26,758 jobs projected within the Study Area for 1999), and wage figures (45.6 percent of wages paid within the Study Area), as well as gross earnings by sector (30.3 percent of gross business earnings projected for all sectors within the Study Area in 1999).
- Other important employment sectors include retail and wholesale trade, services, and State and local government, which in the aggregate contribute 48.8 percent of jobs, 34.9 percent of wages paid, and 37.0 percent of gross receipts in the Study Area.

Figure 3.7 Full-Time and Part-Time Employment – City of Franklin, Southampton and Isle of Wight Counties (projected for 1999)



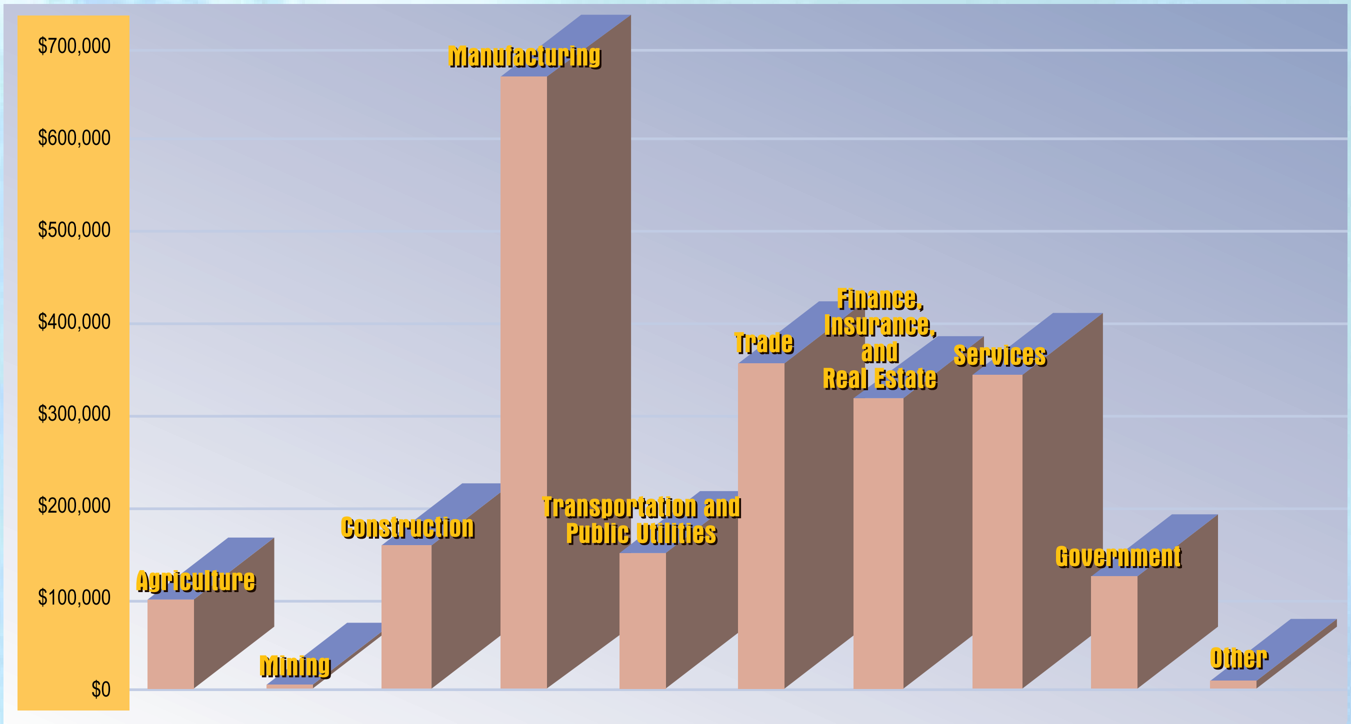
Source: Bureau of Economic Analysis and HRPDC

Figure 3.8 Wages by Industry – City of Franklin, Southampton and Isle of Wight Counties
(in thousands of dollars projected for 1999)



Source: Bureau of Economic Analysis and HRPDC

Figure 3.9 Gross Earnings by Industry – City of Franklin, Southampton and Isle of Wight Counties
(in thousands of dollars as of 1996)



Source: Implan Data-MIG, Inc.

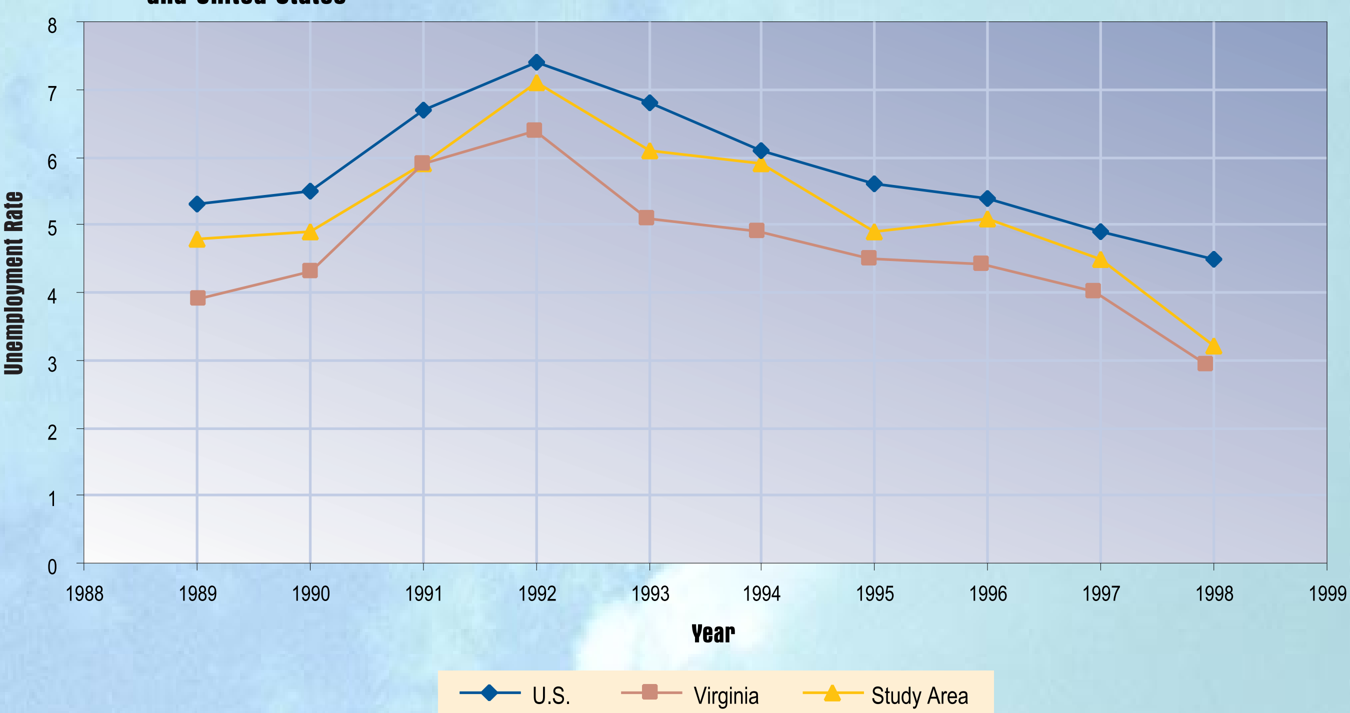
- Farming activity contributes 3.6 percent of jobs, 2.5 percent of wages paid, and 4.3 percent of gross business receipts in the Study Area.

The following points are also relevant when considering these figures, and for purposes of comparison with post-disaster economic conditions discussed in Section 4. Survey results suggest that the downtown area may have employed as many as 1,158 individuals, predominantly in service and retail businesses. The Study Area figures indicate that nearly 9,000 area residents are employed in these sectors (see Figure 3.8), but the wages paid by Study Area service and retail businesses (see Figure 3.9) are relatively low. Census figures from 1990 indicate that a quarter or more of the work force commutes outside of the Study Area to jobs throughout the Hampton Roads area.

3.2.2 Pre-Disaster Trends and Economic Outlook – Study Area

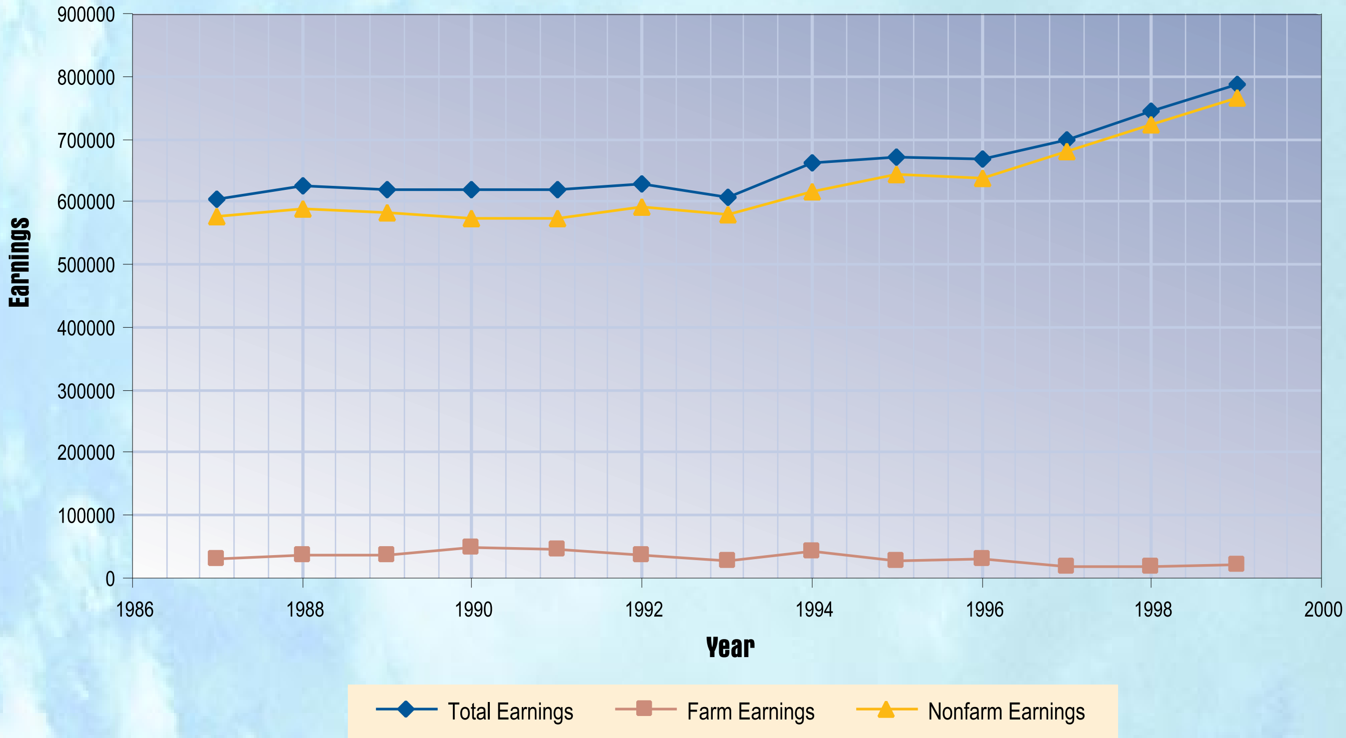
Figures 3.10 and 3.11 illustrate trends for unemployment and wages in the Study Area over the last decade. Figure 3.10 adds the performance of the Study Area in terms of annual average unemployment rates to the previous comparison between the Commonwealth of Virginia and the rest of the United States.

Figure 3.10 Comparison of Annual Average Unemployment Rates – Study Area, Commonwealth of Virginia, and United States



Source: Virginia Employment Commission

Figure 3.11 Total Wages in the Study Area (in thousands of 1999 dollars projected through 1999)



Source: Bureau of Economic Analysis and HRPDC

The long-term general trends are consistent with the performance of the Commonwealth, including generally lower unemployment levels than national averages. The higher levels of the Study Area compared with the Commonwealth reflect much lower unemployment levels within the more populated areas in the north and southeast portions of the Commonwealth. However, the national and Commonwealth trend of sustained improvements over the last 10 years, is shared by the Study Area.

Wider fluctuations on a week-to-week or month-to-month basis would be expected for the Study Area and its constituent jurisdictions, due to the smaller size of the labor pool and a greater dependence on a few key employers. However, the general trend illustrated by this annual data has been of sustained improvements over the last 10 years.

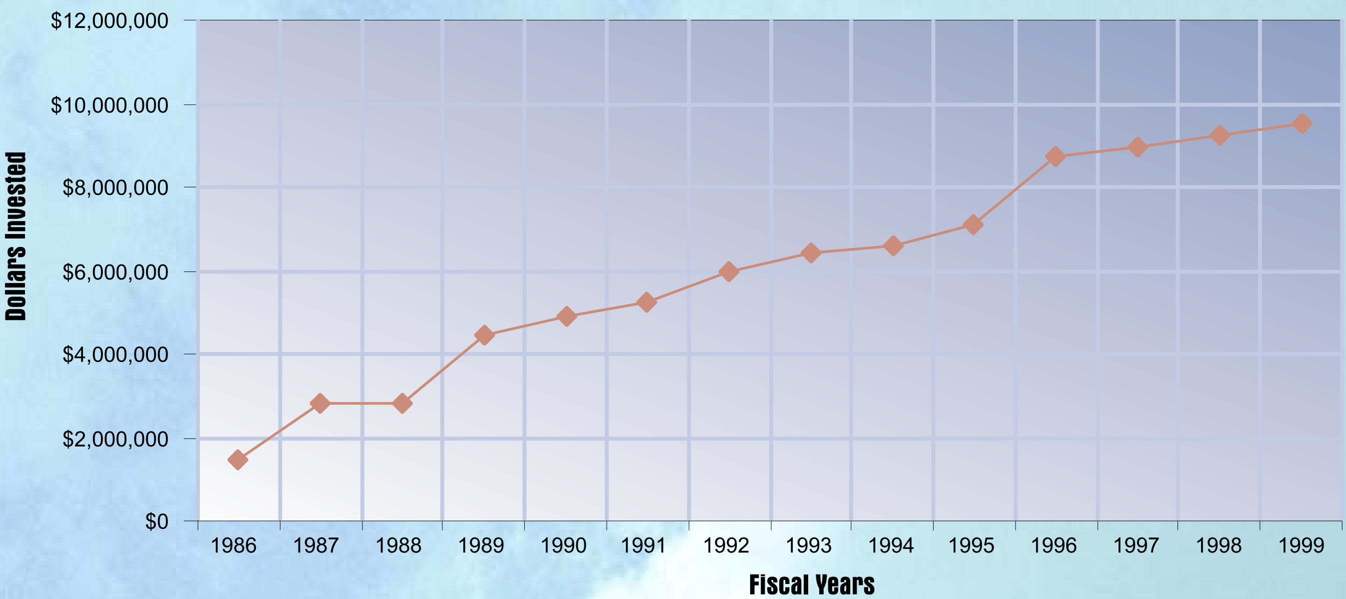
Figure 3.11 shows the growth in individual wage earnings for the Study Area over the last decade. The figure segregates non-farm and farm earnings. Corrected for inflation, this figure indicates the extent of real growth in the economy of the Study Area. While the 10 year period between 1987 and 1996 averaged 1.2 percent growth on an annual basis for the non-farm component, for the most recent period, growth within the same non-farm earnings has been in excess of 5.8 percent. Annual fluctuations have occurred in farm earnings, but generally, farm earnings have declined in recent years to less than half the levels of a decade ago.

3.2.3 Pre-Disaster Trends and Economic Outlook – Downtown Business District of the City of Franklin

Although the main focus of this report concerns aggregated data for the City of Franklin, and the Counties of Southampton and Isle of Wight, it is important to account for the concentrated impact of flooding on the downtown business district. In recent years, significant investment and improvements in the downtown area, including both private and public investment, brought marked increases in businesses and employment in the downtown. In addition, the Department of Housing and Community Development has been keeping records on the investment of volunteer time in the downtown area since July 1997. Over a two-year period, more than 1,200 hours have been donated to preserve and enhance the monetary investment of the business community.

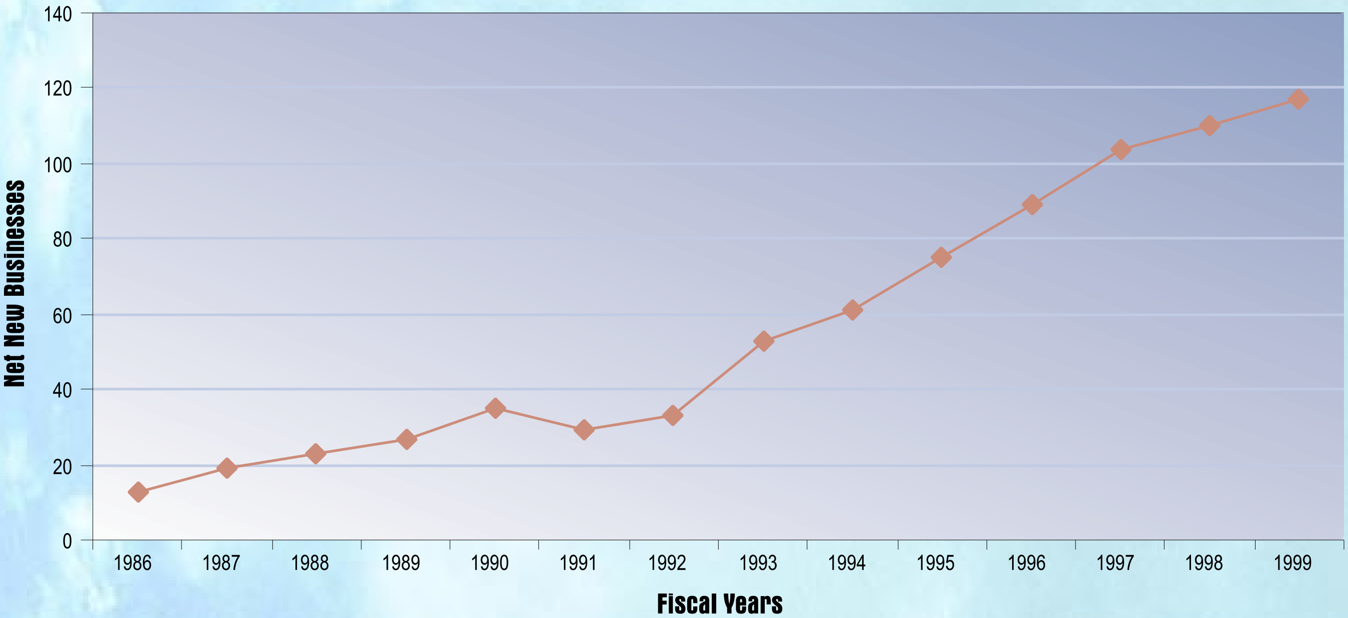
Figures 3.12, 3.13 and 3.14 illustrate the cumulative levels of private investment, net new businesses, and new jobs in the downtown area over the last 10 years.

Figure 3.12 Private Investment – Downtown Franklin (cumulative)



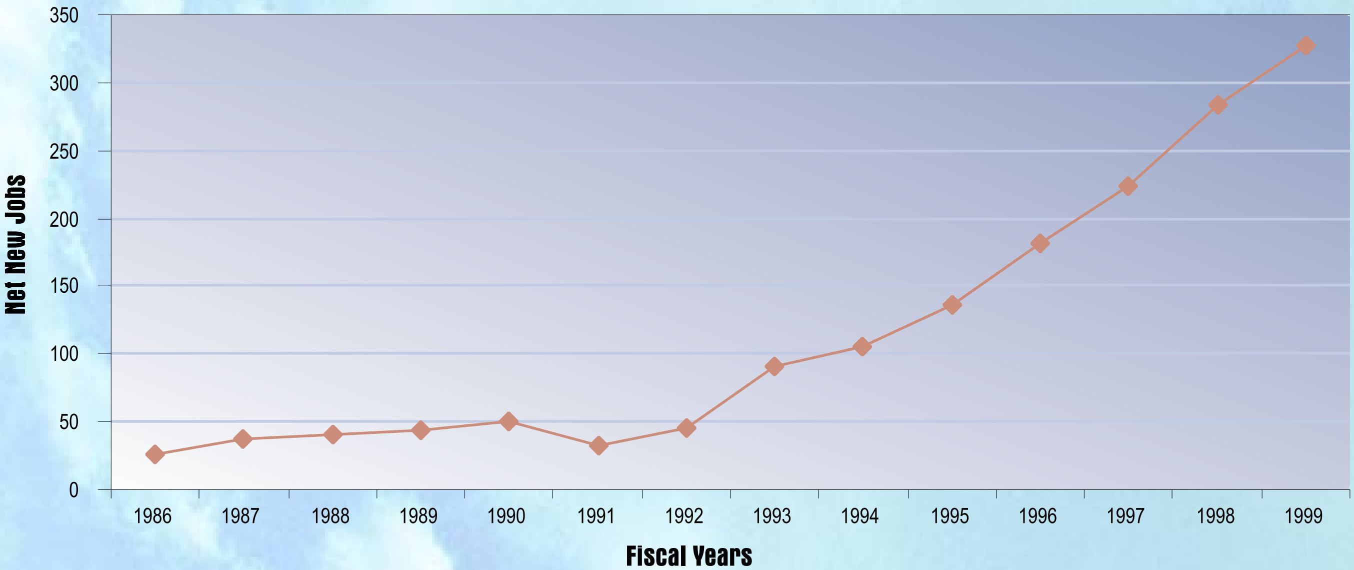
Source: Virginia Department of Housing and Community Development Mainstreet Program

Figure 3.13 Net New Businesses – Downtown Franklin (cumulative)



Source: Virginia Department of Housing and Community Development Mainstreet Program

Figure 3.14 Net New Jobs – Downtown Franklin (cumulative)



Source: Virginia Department of Housing and Community Development Mainstreet Program

3.2.4 Major Businesses – Study Area

According to the Commissioners of the Revenue for all three jurisdictions, the total number of active business licenses for the Study Area is 3,069, with 599 located in the City of Franklin, 417 in

Southampton County, and 2,053 in Isle of Wight County. The Study Area's total labor force projected for 1999 is 26,758. Table 3.1 indicates the major employers in the Study Area and the type of product or service for each business. By far the largest employer is International Paper.

Table 3.1 Major Employers – Study Area

Employer	Employment "Ranges" (1)
Isle of Wight County	
Carroll Foods of VA, Inc. [Wholesale foods]	100-299
Franklin Equipment Company (3) [Construction machinery]	300-599
GTE of Virginia, Inc. [Telecommunications]	100-299
Gwaltney of Smithfield, Ltd. [Headquarters: meat processing & packaging]	1,000-1,499
Smithfield Packaging Co., Inc. [Processed meat products]	1,000-1,499
Union Camp Corporation (International Paper) (2) [Lumber & particleboard]	1,500-2,499
City of Franklin/Southampton County	
Apollo Plastics [Plastics]	20-49
Birdsong Peanuts [Peanut millers]	100-299
Byerly Publications, Inc. [Newspaper]	50-99
Chapman Lumber Co., Inc. [Lumber]	100-299
Franklin Equipment (3) [Logging equipment]	300-599
Hancock Peanut Company [Wholesale peanuts]	50-99
Hercules, Inc. [Chemicals]	100-299
L.G. & E. Westmoreland Southampton [Cogeneration]	20-49
Narricott Industries [Seatbelts]	300-599
Southampton Memorial Hospital [Health care]	300-599
Union Camp Corporation (International Paper) (2&4) (paper, lumber, particle board)	1000
Valley Protein, Inc. [Prepared feeds]	50-99

Source: Commonwealth of Virginia Economic Development Partnership

Notes:

1. Ranges are due to the way the data was originally compiled and represents categories of business size and does not indicate that employment is subject to fluctuations.
2. Union Camp Corporation has been acquired by International Paper since the original version of this information was compiled.
3. Franklin Equipment has locations in both areas but with a slightly different description of the business activity. The total employment in all locations is in the 300-599 employee range.
4. Union Camp Corporation (International Paper) is listed as being in both areas but with a slightly different description of the business activity.

In addition, Table 3.2 indicates the major taxpayers within the two counties included in the Study Area. The table indicates the assessed valuation for different tax categories, the total assessed valuation, and the corresponding taxes.

Table 3.2 Major Taxpayers – Study Area (in thousands of dollars)

	Valuations				Total Assessment	Total Tax
Taxpayer	Real Estate	Machinery & Tools	Personal Property	Farm Machinery		
Southampton County						
LG&E Westmoreland Southampton	$10,016.4	$14,879.8	n/a	n/a	$24,896.2	$418.2
International Paper	$21,524.6	$8,061.5	$647.1	n/a	$30,233.2	$350.7
Hercules	$5,737.7	$3,058.1	n/a	n/a	$8,795.8	$108.4
Hancock Peanut Co. L.P.	$4,032.8	$250.0	n/a	n/a	$4,282.8	$30.6
Valley Proteins	n/a	$499.7	$454.2	n/a	$953.9	$30.2
John Hancock Mutual Life Insurance Co.	$4,754.1	n/a	n/a	n/a	$4,754.1	$29.0
Commonwealth/Southampton Gin	n/a	$484.7	$424.6	n/a	$909.3	$28.6
T.L. Balin, Est., L.P.	$4,557.4	n/a	n/a	n/a	$4,557.4	$27.8
Smithfield-Carrolls Farms	$4,557.4	n/a	n/a	n/a	$4,557.4	$27.8
The Alling & Cory Co.	$4,491.8	n/a	n/a	n/a	$4,491.8	$27.4
Isle of Wight County						
International Paper	$ 84,357.5	$586,512.0	n/a	n/a	$670,869.5	$ 6,179.2
Smithfield Packing	$ 12,449.4	$ 33,692.3	$ 128.6	n/a	$ 46,270.3	$ 415.4
Gwaltney of Smithfield	$ 14,963.3	$ 27,026.3	$ 41.8	n/a	$ 42,031.4	$ 366.3
VA Electric & Power	$ 41,276.0	n/a	n/a	n/a	$ 41,276.0	$ 297.2
GTE South, Inc.	$ 34,754.2	n/a	$ 109.4	n/a	$ 34,863.6	$ 255.0
Farm Credit Leasing	n/a	n/a	$ 4,004.1	$ 20.2	$ 4,024.3	$ 176.4
Franklin Equip. Co.	$ 2,408.7	$ 5,965.9	$ 119.8	n/a	$ 8,494.4	$ 79.3
Lease Plan USA	n/a	n/a	$ 1,699.7	n/a	$ 1,699.7	$ 74.8
Comm. Elec. Coop.	$ 8,024.3	n/a	$ 249.0	n/a	$ 8,273.4	$ 68.7
Carolina Cold Storage	$ 8,684.2	n/a	$ 138.5	n/a	$ 8,822.7	$ 68.6

Source: Southampton and Isle of Wight County Commissioners of the Revenue

3.2.5 Tax Revenue Sources – Study Area

It is important to understand the tax revenue sources within the Study Area to better understand the consequences of potential lost revenue. Table 3.3 and Figure 3.15 identify the major sources of revenue for the three different jurisdictions within the Study Area. General property and other local taxes account for 45 percent of all tax revenue in the Study Area.

Table 3.3 Revenue Sources - Study Area (1999-2000)

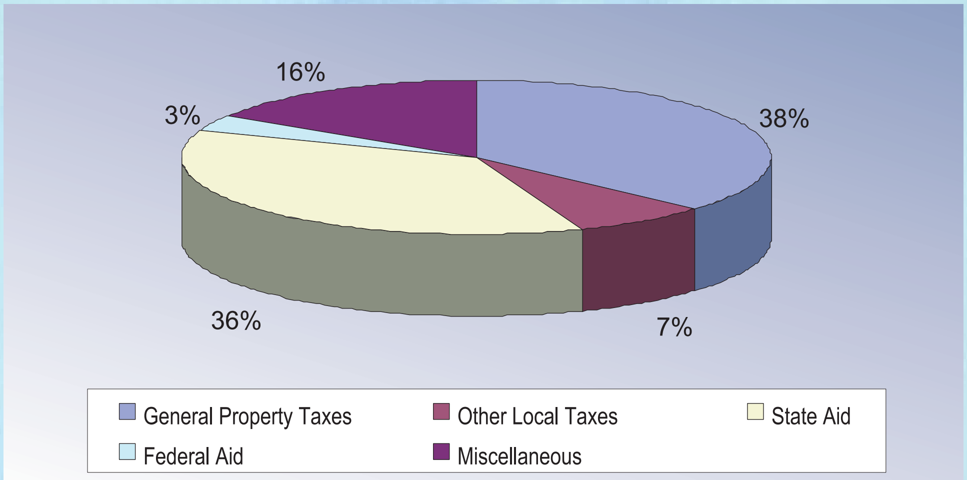
Jurisdiction [Budget Period]	General Property Taxes	Other Local Taxes	State Aid	Federal Aid	Misc. (see Note 1)	Totals
City of Franklin (General Revenue)	$5,168,000	$3,730,545	$1,328,232	$59,105	$6,886,94 (see Note 2)	$17,172,822
Southampton County	$9,121,672	$745,784	$16,913,181	$1,435,956	$6,528,318	$34,744,911
Isle of Wight County	$24,251,516	$3,286,000	$20,026,911	$2,156,550	$3,238,456	$52,959,433
Totals	$38,541,188	$7,762,329	$38,268,324	$3,651,611	$16,653,714	$104,877,166

Source: City of Franklin, Southampton County and Isle of Wight County 1999 - 2000 Annual Budget Reports

Notes:

1. Miscellaneous includes the following categories:
   - Permits, Fees, Licenses
   - Fines and Forfeitures
   - Use of Money
   - Current Services
   - Miscellaneous
   - Recovered Costs
   - Non-categorical aid
   - Shared Expenses
2. The City of Franklin includes receipt of $1,025,000 in revenue sharing with Isle of Wight County and $31,000 in revenue sharing with Southampton County.

Figure 3.15 Summary of Revenue Sources – Study Area (1999-2000)

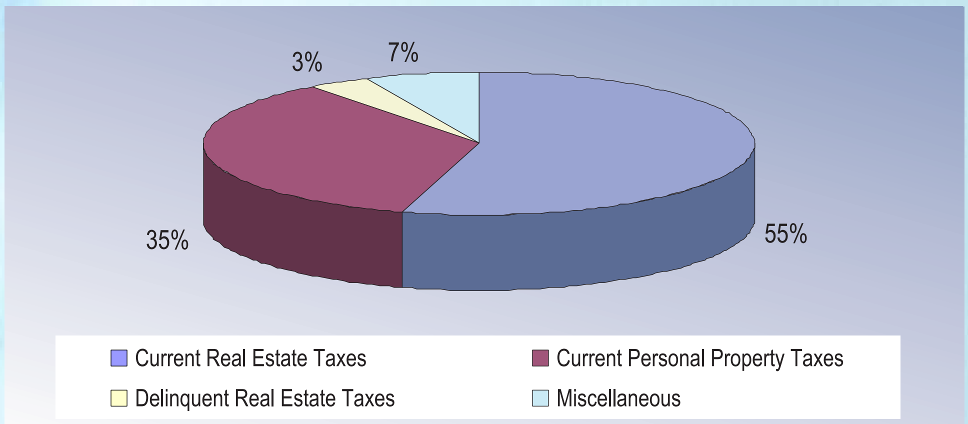


Source: City of Franklin, Southampton County and Isle of Wight County 1999-2000 Annual Budget Reports

3.2.6 Tax Revenue Sources – City of Franklin

Due to the concern about the impact of the disruption of businesses in the downtown business district of the City of Franklin, more detailed information concerning the specific sources of tax revenues was assembled from materials supplied by the City of Franklin. Discussion in Section 4 will relate this material to the projected impacts.

Figure 3.16 Revenue Sources – City of Franklin General Fund – General Property Taxes



Notes:

1. Miscellaneous includes the following categories:
   - Current Special Tax [$43,000]
   - Delinquent Special Tax [$3,000]
   - Real and Personal Public Corporation Tax [$87,000]
   - Delinquent Personal Property Tax [$55,000]
   - Current Machinery and Tools Tax [$43,000]
   - Penalties [$80,000]
   - Interest [$33,000]
   - Failure to File PP Forms [$6,000]

Figure 3.17 Revenue Sources – City of Franklin General Fund – Other Local Taxes

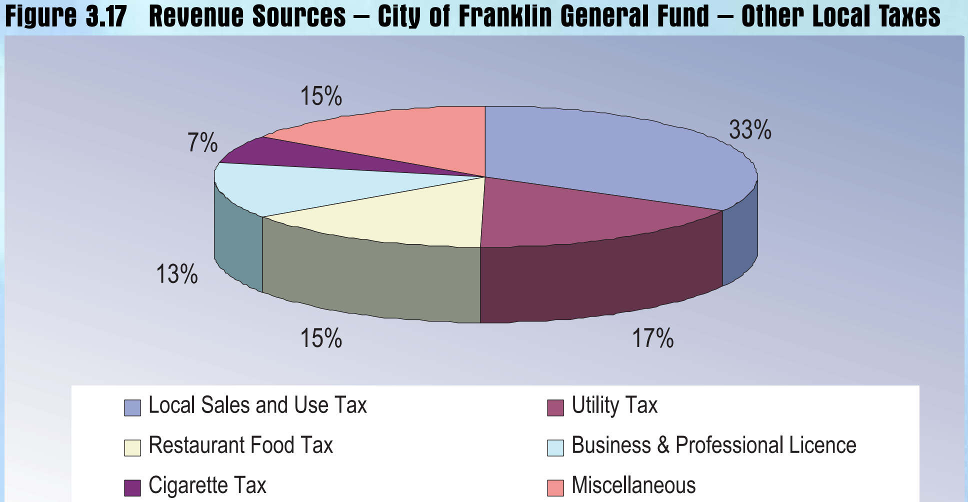
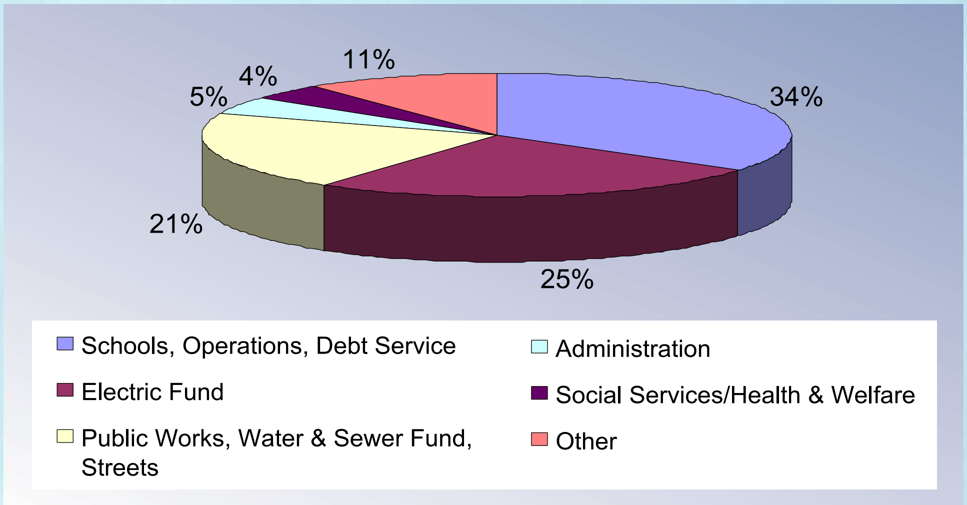


Figure 3.18 City of Franklin Expenditures – All Funds



Notes:

1. Other includes the following:
   - Parks, Recreation and Cultural [1.8 percent]
   - Payment to Southampton County [1.7 percent]
   - Waste Collection [1.6 percent]
   - Maintenance of Buildings [1.3 percent]
   - Airport Fund [1.2 percent]
   - General Debt Service [0.9 percent]
   - Community Development [0.8 percent]
   - Other [1.1 percent]